

CLARKE COUNTY

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2012

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## CLARKE COUNTY

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Myron Manley	Board of Supervisors	Jan. 2015
Jack Cooley	Board of Supervisors	Jan. 2013
Donald Reasoner	Board of Supervisors	Jan. 2013
Judy Church	County Auditor	Jan. 2013
Debbie Lynn	County Treasurer	Jan. 2015
Peggy Cummings	County Recorder	Jan. 2015
Bill Kerns	County Sheriff	Jan. 2013
Michelle Murphy Rivera	County Attorney	Jan. 2015
Paul Winship	County Assessor	Jan. 2016

## INDEPENDENT AUDITOR'S REPORT

To the Officials of Clarke County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Clarke County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke County at June 30, 2012 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 18, 2013 on our consideration of Clarke County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 44 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The County has omitted the Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarke County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of County management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa  
March 18, 2013

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## Basic Financial Statements

CLARKE COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2012

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and pooled investments	\$ 3,003,053
Receivables:	
Property tax:	
Delinquent	4,467
Succeeding year	4,102,000
Interest and penalty on property tax	15,224
Accounts	71,809
Accrued interest	1,807
Due from other governments	355,709
Inventories	133,323
Prepaid expenses	124,302
Capital assets, net of accumulated depreciation (note 4)	<u>14,466,919</u>
<b>Total assets</b>	<u>22,278,613</u>
<b>Liabilities</b>	
Accounts payable	238,541
Salaries and benefits payable	125,600
Due to other governments (note 5)	501,542
Accrued interest payable	36,225
Deferred revenue:	
Succeeding year property tax	4,102,000
Long-term liabilities (note 7):	
Portion due or payable within one year:	
Bonds	16,000
Capital loan notes	300,000
Child care center revenue notes	7,482
Capital lease purchase agreements	123,384
Compensated absences	177,405
Portion due or payable after one year:	
Bonds	150,000
Capital loan notes	1,160,000
Child care center revenue notes	498,827
Capital lease purchase agreements	339,689
Net OPEB liability	<u>45,700</u>
<b>Total liabilities</b>	<u>7,822,395</u>



CLARKE COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2012

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets, net of related debt	\$ 12,044,738
Restricted for:	
Supplemental levy purposes	412,019
Rural services purposes	469,645
Secondary roads purposes	834,772
Debt service	9,406
Conservation purposes	201,770
Other purposes	96,789
Unrestricted	<u>387,079</u>
Total net assets	<u>\$ 14,456,218</u>

See notes to financial statements.

CLARKE COUNTY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions	
Governmental Activities:					
Public safety and legal services	\$ 1,744,511	\$ 253,566	\$ -	\$ -	(1,490,945)
Physical health and social services	1,051,786	327,411	302,819	-	(421,556)
Mental health	1,269,129	14,099	622,500	-	(632,530)
County environment and education	266,415	14,701	10,318	-	(241,396)
Roads and transportation	3,384,714	391,790	1,815,160	460,183	(717,581)
Government services to residents	410,394	169,590	3	-	(240,801)
Administration	1,002,783	84,989	1,000	-	(916,794)
Interest on long-term debt	84,449	-	21,762	-	(62,687)
Total	\$ 9,214,181	\$ 1,256,146	\$ 2,773,562	\$ 460,183	(4,724,290)
General Revenues:					
Property and other county tax levied for:					
General purposes					3,814,507
Debt service					279,046
State tax credits					149,964
Gaming tax					242,669
Unrestricted investment earnings					23,876
Miscellaneous					3,292
Total general revenues					4,513,354
Change in net assets					(210,936)
Net assets beginning of year					14,667,154
Net assets end of year					\$ 14,456,218
See notes to financial statements.					

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CLARKE COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,167,057	\$ 238,058	\$ 530,453	\$ 774,228
Receivables:				
Property tax:				
Delinquent	3,243	507	394	-
Succeeding year	2,566,000	413,000	793,000	-
Interest and penalty on property tax	15,224	-	-	-
Accounts	16,580	14,099	-	4,642
Accrued interest	1,758	-	-	-
Due from other governments	227,369	-	-	128,340
Inventories	-	-	-	133,323
Prepaid expenses	84,489	-	-	39,813
Total assets	<u>\$ 4,081,720</u>	<u>\$ 665,664</u>	<u>\$ 1,323,847</u>	<u>\$ 1,080,346</u>

<u>Nonmajor</u>	<u>Total</u>
\$ 191,768	\$ 2,901,564
323	4,467
330,000	4,102,000
-	15,224
154	35,475
49	1,807
-	355,709
-	133,323
-	124,302
<u>\$ 522,294</u>	<u>\$ 7,673,871</u>

CLARKE COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 43,764	\$ 17,208	\$ 962	\$ 89,690
Salaries and benefits payable	76,323	586	11,608	37,083
Due to other governments (note 5)	20,389	433,862	-	47,291
Deferred revenue:				
Succeeding year property tax	2,566,000	413,000	793,000	-
Other	18,467	507	394	-
Total liabilities	<u>2,724,943</u>	<u>865,163</u>	<u>805,964</u>	<u>174,064</u>
Fund balances:				
Nonspendable:				
Inventories	-	-	-	133,323
Prepaid expenses	84,489	-	-	39,813
Restricted for:				
Supplemental levy purposes	355,150	-	36,348	-
SIRWA water grid project	-	-	62,500	-
Rural services purposes	-	-	419,035	-
Secondary roads purposes	-	-	-	733,146
Debt service	-	-	-	-
Capital projects	-	-	-	-
Conservation purposes	69,432	-	-	-
Inmate room and board	79,486	-	-	-
Veterans memorial	192	-	-	-
Flowerbed maintenance	1,773	-	-	-
Other purposes	-	-	-	-
Assigned for environmental education	27,127	-	-	-
Unassigned	739,128	(199,499)	-	-
Total fund balances	<u>1,356,777</u>	<u>(199,499)</u>	<u>517,883</u>	<u>906,282</u>
Total liabilities and fund balances	<u>\$ 4,081,720</u>	<u>\$ 665,664</u>	<u>\$ 1,323,847</u>	<u>\$ 1,080,346</u>

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ -	\$ 151,624
-	125,600
-	501,542
330,000	4,102,000
323	19,691
<u>330,323</u>	<u>4,900,457</u>
-	133,323
-	124,302
-	391,498
-	62,500
-	419,035
-	733,146
37,094	37,094
7,201	7,201
132,338	201,770
-	79,486
-	192
-	1,773
15,338	15,338
-	27,127
-	539,629
<u>191,971</u>	<u>2,773,414</u>
<u>\$ 522,294</u>	<u>\$ 7,673,871</u>

## CLARKE COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2012

Total fund balances of governmental funds	\$ 2,773,414
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$24,063,131 and the accumulated depreciation is \$9,596,212.	14,466,919
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Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	19,691
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The Internal Service Funds are used by management to charge the costs of the County's health insurance and flexible benefit plans to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	50,906
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(36,225)
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Long-term liabilities, including bonds and notes payable, purchase agreements payable, compensated absences payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(2,818,487)</u>
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Net assets of governmental activities	<u>\$ 14,456,218</u>
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See notes to financial statements.



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CLARKE COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 2,826,083	\$ 413,193	\$ 848,103	\$ -
Interest and penalty on property tax	48,041	-	-	-
Intergovernmental	721,273	637,141	34,432	1,821,355
Licenses and permits	6,450	-	2,065	1,150
Charges for service	316,386	-	50	262
Use of money and property	34,062	-	-	-
Miscellaneous	175,085	14,099	3,882	377,877
Total revenues	4,127,380	1,064,433	888,532	2,200,644
Expenditures:				
Operating:				
Public safety and legal services	1,283,875	-	248,608	-
Physical health and social services	959,190	-	-	-
Mental health	-	1,269,129	-	-
County environment and education	181,709	-	81,529	-
Roads and transportation	-	-	-	2,844,674
Government services to residents	381,017	-	-	-
Administration	887,858	-	-	-
Debt service	-	-	-	-
Capital projects	15,044	-	-	-
Total expenditures	3,708,693	1,269,129	330,137	2,844,674
Excess (deficiency) of revenues over (under) expenditures	418,687	(204,696)	558,395	(644,030)
Other financing sources (uses):				
Sale of capital assets	-	-	-	12,500
General obligation capital loan notes issued	-	-	-	-
Premium on notes issued	-	-	-	-
Interfund transfers in (note 3)	-	-	-	515,000
Interfund transfers out (note 3)	(40,000)	-	(475,000)	-
Total other financing sources (uses)	(40,000)	-	(475,000)	527,500
Net change in fund balances	378,687	(204,696)	83,395	(116,530)
Fund balances beginning of year	978,090	5,197	434,488	1,022,812
Fund balances end of year	\$ 1,356,777	\$ (199,499)	\$ 517,883	\$ 906,282

See notes to financial statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 280,174	\$ 4,367,553
-	48,041
47,107	3,261,308
-	9,665
1,908	318,606
1,443	35,505
1,215	572,158
<u>331,847</u>	<u>8,612,836</u>
538	1,533,021
-	959,190
-	1,269,129
-	263,238
-	2,844,674
-	381,017
-	887,858
354,282	354,282
574,243	589,287
<u>929,063</u>	<u>9,081,696</u>
(597,216)	(468,860)
-	12,500
410,000	410,000
3,292	3,292
5,339	520,339
(5,339)	(520,339)
<u>413,292</u>	<u>425,792</u>
(183,924)	(43,068)
<u>375,895</u>	<u>2,816,482</u>
<u>\$ 191,971</u>	<u>\$ 2,773,414</u>

## CLARKE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ (43,068)

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures while  
governmental activities report depreciation expense to allocate those  
expenditures over the life of the assets. The amount of capital outlay  
expenditures and depreciation expense in the current year are as follows:

Expenditures for capital assets	\$ 681,542	
Capital assets contributed by the Iowa Department of Transportation	453,989	
Depreciation expense	<u>(972,749)</u>	162,782

Because some revenues will not be collected for several months after the  
County's year end, they are not considered available revenues and are  
deferred in the governmental funds, as follows:

Property tax	(31,331)	
Other	<u>(237,808)</u>	(269,139)

Proceeds from issuing long-term liabilities provide current financial resources  
to governmental funds, but issuing debt increases long-term liabilities in the  
Statement of Net Assets and does not affect the Statement of Activities. (410,000)

Repayment of long-term liabilities is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the Statement of  
Net Assets. 385,153

Some expenses reported in the Statement of Activities do not require the use  
of current financial resources and, therefore, are not reported as  
expenditures in the governmental funds, as follows:

Compensated absences	(8,204)	
Net OPEB liability	(15,290)	
Interest on long-term debt	<u>3,690</u>	(19,804)

The Internal Service Funds are used by management to charge the costs of  
the County's health insurance and flexible benefit plans to individual  
funds. The change in net assets of the Internal Service Funds is reported  
with governmental activities. (16,860)

Change in net assets of governmental activities \$ (210,936)

See notes to financial statements.

CLARKE COUNTY  
 STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2012

	Internal Service Funds
	<u>          </u>
Assets	
Cash and cash equivalents	\$ 101,489
Accounts receivable	<u>36,334</u>
Total assets	<u>137,823</u>
Liabilities	
Accounts payable	<u>86,917</u>
Net Assets	
Unrestricted	\$ <u><u>50,906</u></u>

See notes to financial statements.

## CLARKE COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2012

	Internal Service Funds
	<u>          </u>
Operating revenues:	
Changes to operating funds	\$ 738,486
Charges to employees and others	<u>185,414</u>
Total operating revenues	<u>923,900</u>
Operating expenses:	
Insurance premiums	921,288
Flexible spending claims	18,046
Administrative fees	<u>1,426</u>
Total operating expenses	<u>940,760</u>
Operating loss	(16,860)
Net assets beginning of year	<u>67,766</u>
Net assets end of year	<u>\$ 50,906</u>

See notes to financial statements.

CLARKE COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	Internal Service Funds
	<u>          </u>
Cash flows from operating activities:	
Cash received from operating fund reimbursements	\$ 735,970
Cash received from employees and others	185,224
Cash payments to suppliers for services	<u>(922,643)</u>
Net cash used by operating activities	(1,449)
Cash and cash equivalents beginning of year	<u>102,938</u>
Cash and cash equivalents end of year	\$ <u><u>101,489</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (16,860)
Adjustments to reconcile operating loss to net cash used by operating activities:	
(Increase) in accounts receivable	(2,706)
Increase in accounts payable	<u>18,117</u>
Net cash used by operating activities	\$ <u><u>(1,449)</u></u>

See notes to financial statements.

CLARKE COUNTY  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2012

Assets	
Cash and pooled investments:	
County Treasurer	\$ 592,518
Other County officials	17,329
Receivables:	
Property tax:	
Delinquent	13,520
Succeeding year	9,923,000
Accounts	154
Due from other governments	54,402
Prepaid expenses	<u>13,898</u>
Total assets	\$ <u><u>10,614,821</u></u>
Liabilities	
Accounts payable	\$ 8,618
Salaries and benefits payable	6,632
Due to other governments (note 5)	10,448,952
Trusts payable	142,554
Compensated absences	<u>8,065</u>
Total liabilities	\$ <u><u>10,614,821</u></u>

See notes to financial statements.



## CLARKE COUNTY

### NOTES TO FINANCIAL STATEMENTS

June 30, 2012

#### Note 1. Summary of Significant Accounting Policies

Clarke County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Clarke County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the County. Clarke County has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations** – The County participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Clarke County Assessor's Conference Board, Clarke County Hospital Board, and Clarke County Environmental Services Board, which handles the Emergency Management System. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

##### B. Basis of Presentation

**Government-wide Financial Statements** – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

CLARKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

CLARKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Proprietary Funds - Internal Service Funds are used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

CLARKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned, and then unassigned fund balances.

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

CLARKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2011.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Intangibles	\$ 100,000
Infrastructure	250,000
Land, buildings and improvements	5,000
Equipment and vehicles	5,000

CLARKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	25-50
Improvements other than buildings	10-50
Infrastructure	10-65
Equipment	3-20
Vehicles	5-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable, delinquent property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CLARKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Rural Services and Secondary Roads Funds.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted in any County function and disbursements did not exceed the amounts appropriated.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's funds are all deposited in financial institution depository accounts.

CLARKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	General	\$ 40,000
	Special Revenue: Rural Services	475,000
Debt Service	Capital Projects	4,927
Capital Projects	Debt Service	<u>412</u>
		<u>\$ 520,339</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.



CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 4. Capital Assets

A summary of capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 579,154	\$ -	\$ -	\$ 579,154
Construction in progress	140,709	4,297	145,006	-
Total capital assets not being depreciated	719,863	4,297	145,006	579,154
Capital assets being depreciated:				
Buildings	7,036,338	145,006	-	7,181,344
Machinery and equipment	3,561,739	677,245	308,591	3,930,393
Infrastructure	11,918,251	453,989	-	12,372,240
Total capital assets being depreciated	22,516,328	1,276,240	308,591	23,483,977
Less accumulated depreciation for:				
Buildings	2,154,103	211,062	-	2,365,165
Machinery and equipment	2,356,406	349,279	308,591	2,397,094
Infrastructure	4,421,545	412,408	-	4,833,953
Total accumulated depreciation	8,932,054	972,749	308,591	9,596,212
Total capital assets being depreciated, net	13,584,274	303,491	-	13,887,765
Governmental activities capital assets, net	\$ 14,304,137	\$ 307,788	\$ 145,006	\$ 14,466,919

CLARKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 4. Capital Assets (continued)

Depreciation expense was charged to the following functions:

Governmental activities:

Public safety and legal services	\$ 141,541
Physical health and social services	100,215
County environment and education	21,393
Roads and transportation	658,216
Government services to residents	1,797
Administration	<u>49,587</u>
Total depreciation expense - governmental activities	<u>\$ 972,749</u>

Note 5. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

Fund	Description	Amount
General	Services	\$ 20,389
Special Revenue:		
Mental Health		433,862
Secondary Roads		<u>47,291</u>
Total for governmental funds		<u>\$ 501,542</u>
Agency:		
County Assessor	Collections	\$ 375,780
Schools		5,281,269
Area Schools		271,751
Corporations		3,128,325
County Hospital		940,701
Auto License and Use Tax		175,690
All Other		<u>275,436</u>
Total for agency funds		<u>\$ 10,448,952</u>

CLARKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 6. Short-Term Debt Activity

During the year ended June 30, 2012, the County entered into one short-term loan between funds. The loan was necessary to provide temporary financing during periods of low cash flow. A summary of the activity for the year ended June 30, 2012 is as follows:

<u>Loan to:</u>	<u>Loan from:</u>	<u>Balance Beginning of Year</u>	<u>Loans Received</u>	<u>Loans Repaid</u>	<u>Balance End of Year</u>
General Supplemental Fund	General Basic Fund	\$ -	\$ 25,000	\$ 25,000	\$ -

Note 7. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 180,000	\$ -	\$ 14,000	\$ 166,000	\$ 16,000
Capital Loan Notes	1,295,000	410,000	245,000	1,460,000	300,000
Child Care Center Revenue Notes	513,452	-	7,143	506,309	7,482
Capital Lease Purchase Agreements	582,083	-	119,010	463,073	123,384
Compensated Absences	169,201	177,405	169,201	177,405	177,405
Net OPEB Liability	30,410	15,290	-	45,700	-
Balance end of year	\$ 2,770,146	\$ 602,695	\$ 554,354	\$ 2,818,487	\$ 624,271

General Obligation Bonds

Details of the County's June 30, 2012 general obligation solid waste disposal bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	3.40 %	\$ 16,000	\$ 6,008	\$ 22,008
2014	3.40	17,000	5,464	22,464
2015	3.40	17,000	4,886	21,886
2016	3.64	18,000	4,308	22,308
2017	3.64	18,000	3,653	21,653
2018-2021	3.64-3.78	80,000	7,646	87,646
		\$ 166,000	\$ 31,965	\$ 197,965

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Long-Term Liabilities (continued)

Capital Loan Notes

Details of the County's June 30, 2012 general obligation capital loan note indebtedness are as follows:

Year Ending June 30,	Series Dated October 15, 2007			Series Dated June 15, 2008		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2013	4.00 %	\$ 60,000	\$ 5,000	3.50 %	\$ 90,000	\$ 12,390
2014	4.00	65,000	2,600	3.60	90,000	9,240
2015	-	-	-	3.75	160,000	6,000
		<u>\$ 125,000</u>	<u>\$ 7,600</u>		<u>\$ 340,000</u>	<u>\$ 27,630</u>
Year Ending June 30,	Series Dated August 1, 2010			Series Dated October 25, 2011		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2013	2.50 %	\$ 110,000	\$ 17,000	0.75 %	\$ 40,000	\$ 7,130
2014	3.00	115,000	14,250	0.75	40,000	6,830
2015	3.00	115,000	10,800	1.10	40,000	6,530
2016	3.00	120,000	7,350	1.10	40,000	6,090
2017	3.00	125,000	3,750	2.00	40,000	5,650
2018-2022	-	-	-	2.00-2.50	210,000	15,525
		<u>\$ 585,000</u>	<u>\$ 53,150</u>		<u>\$ 410,000</u>	<u>\$ 47,755</u>
Year Ending June 30,	Total					
		Principal	Interest			
2013		\$ 300,000	\$ 41,520			
2014		310,000	32,920			
2015		315,000	23,330			
2016		160,000	13,440			
2017		165,000	9,400			
2018-2022		210,000	15,525			
		<u>\$ 1,460,000</u>	<u>\$ 136,135</u>			

CLARKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 7. Long-Term Liabilities (continued)

Child Care Center Revenue Notes

Details of the County's June 30, 2012 child care center revenue notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2013	4.75 %	\$ 7,482	\$ 24,050	\$ 31,532
2014	4.75	7,838	23,694	31,532
2015	4.75	8,210	23,322	31,532
2016	4.75	8,600	22,932	31,532
2017	4.75	9,008	22,524	31,532
2018-2022	4.75	51,882	105,778	157,660
2023-2027	4.75	65,431	92,229	157,660
2028-2032	4.75	82,520	75,140	157,660
2033-2037	4.75	104,070	53,590	157,660
2038-2042	4.75	131,250	26,410	157,660
2043	4.75	30,018	1,432	31,450
		<u>\$ 506,309</u>	<u>\$ 471,101</u>	<u>\$ 977,410</u>

In August 2002, the County entered into a USDA Rural Development loan agreement for Child Care Center Revenue Notes in the amount of \$550,000 to finance a portion of the cost of the construction and furnishing of a child care and early education center. The notes will be paid over forty years with an annual interest rate of 4.75%. The notes are payable solely from the revenues of the child care center, which is to be operated by The Village, Ltd., an Iowa nonprofit corporation. The notes are not a general obligation of the County and are not subject to the constitutional debt limitation of the County.

The resolution providing for the issuance of the child care center revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the revenues derived from the operation of the child care center. Revenues sufficient to pay principal and interest on the notes are to be received from The Village, Ltd. by July 1 of each year when the payment is due.
- (b) Monthly deposits of \$263 from the child care center shall be made to the Child Care Center Reserve Fund until the sum of \$31,532 has been accumulated in the fund. The fund is to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose.
- (c) Monthly deposits of \$200 from the child care center shall also be made to the Child Care Center Reserve Fund for funded depreciation.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Long-Term Liabilities (continued)

Capital Lease Purchase Agreements

During the year ended June 30, 2008, the County entered into a capital lease purchase agreement for \$296,500 for the acquisition of two new motor graders. The agreement is payable in seven equal annual payments including interest at 3.75%.

During the year ended June 30, 2009, the County entered into two capital lease purchase agreements for \$113,010 each for the acquisition of new motor graders. The agreements are payable in seven equal annual payments. The August 2008 agreement includes interest at 3.95% and the September 2008 agreement includes interest at 3.65%.

During the year ended June 30, 2011, the County entered into a capital lease purchase agreement for \$144,877 for the acquisition of a wheel loader. The agreement is payable in five equal annual payments including interest at 3.5%.

During the year ended June 30, 2011, the County entered into a capital lease purchase agreement for \$141,367 for the acquisition of a motor grader. The agreement is payable in seven equal annual payments including interest at 3.25%.

Details of the County's June 30, 2012 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	March 14, 2008			August 15, 2008		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 43,849	\$ 5,206	\$ 49,055	\$ 16,094	\$ 2,750	\$ 18,844
2014	45,520	3,535	49,055	16,742	2,102	18,844
2015	47,255	1,802	49,057	17,415	1,429	18,844
2016	-	-	-	18,116	729	18,845
	<u>\$ 136,624</u>	<u>\$ 10,543</u>	<u>\$ 147,167</u>	<u>\$ 68,367</u>	<u>\$ 7,010</u>	<u>\$ 75,377</u>

  

Year Ending June 30,	September 10, 2008			September 13, 2010		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 16,150	\$ 2,535	\$ 18,685	\$ 28,096	\$ 3,054	\$ 31,150
2014	16,750	1,935	18,685	29,079	2,071	31,150
2015	17,372	1,313	18,685	30,097	1,053	31,150
2016	18,017	669	18,686	-	-	-
	<u>\$ 68,289</u>	<u>\$ 6,452</u>	<u>\$ 74,741</u>	<u>\$ 87,272</u>	<u>\$ 6,178</u>	<u>\$ 93,450</u>

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 7. Long-Term Liabilities (continued)

Capital Lease Purchase Agreements (continued)

Year Ending June 30,	November 15, 2010			Total		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 19,195	\$ 3,382	\$ 22,577	\$ 123,384	\$ 16,927	\$ 140,311
2014	19,828	2,749	22,577	127,919	12,392	140,311
2015	20,482	2,095	22,577	132,621	7,692	140,313
2016	21,158	1,419	22,577	57,291	2,817	60,108
2017	21,858	720	22,578	21,858	720	22,578
	<u>\$ 102,521</u>	<u>\$ 10,365</u>	<u>\$ 112,886</u>	<u>\$ 463,073</u>	<u>\$ 40,548</u>	<u>\$ 503,621</u>

Note 8. Radio Equipment Operating Lease

The Secondary Roads Department is leasing a radio communications system with monthly lease payments of \$691. The lease is indefinite but the monthly lease payments per radio unit used are guaranteed until June 30, 2012. The County has the option to cancel the lease at any time. The minimum lease payments due in the next year is \$8,292. Rental expense for the year ended June 30, 2012 was \$6,910.

Note 9. Other Postemployment Benefits (OPEB)

Plan Description – The County operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 74 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided by Central States Health and Welfare Fund. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

CLARKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 9. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 41,742
Interest on net OPEB obligation	1,216
Adjustment to annual required contribution	<u>(1,162)</u>
Annual OPEB cost	41,796
Contributions made	<u>(26,506)</u>
Increase in net OPEB obligation	15,290
Net OPEB obligation beginning of year	<u>30,410</u>
Net OPEB obligation end of year	<u><u>\$ 45,700</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$26,506 to the medical plan.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 41,796	63.4%	\$ 45,700

**Funded Status and Funding Progress** – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$299,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$299,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,693,000 and the ratio of the UAAL to covered payroll was 11.1%. As of June 30, 2012, there were no trust fund assets.

**Actuarial Methods and Assumptions** – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.



CLARKE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 9. Other Postemployment Benefits (OPEB) (continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% discount rate based on the County's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Table projected to 2010. Projected claim costs of the medical plan are \$965 per month for non-union retirees less than age 65 and \$883 per month for union retirees less than age 65. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 10. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$235,809, \$206,382 and \$213,131, respectively, equal to the required contributions for each year.

Note 11. Risk Management

Clarke County is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

CLARKE COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Note 11. Risk Management (continued)

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2012 were \$112,471.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12. Contingency

The County is involved in one ongoing legal case involving workers' compensation. The outcome of the case cannot be determined at this time and the County's insurance carrier is affording coverage.

## Required Supplementary Information

CLARKE COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds  
Required Supplementary Information  
Year Ended June 30, 2012

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
<b>RECEIPTS:</b>				
Property and other County tax	\$ 4,367,458	\$ 4,376,361	\$ 4,376,361	\$ (8,903)
Interest and penalty on property tax	48,041	45,000	45,000	3,041
Intergovernmental	3,241,687	3,036,361	3,095,059	146,628
Licenses and permits	9,560	15,250	15,250	(5,690)
Charges for service	290,414	280,790	280,790	9,624
Use of money and property	36,013	26,048	26,048	9,965
Miscellaneous	560,856	427,760	427,760	133,096
Total receipts	8,554,029	8,207,570	8,266,268	287,761
<b>DISBURSEMENTS:</b>				
Public safety and legal services	1,525,213	1,689,921	1,701,021	175,808
Physical health and social services	968,655	1,015,542	1,084,672	116,017
Mental health	1,029,483	1,013,499	1,253,499	224,016
County environment and education	252,139	268,711	268,711	16,572
Roads and transportation	2,786,615	2,446,276	2,788,085	1,470
Government services to residents	376,009	384,574	386,574	10,565
Administration	889,062	910,851	913,851	24,789
Debt service	347,107	289,085	347,109	2
Capital projects	589,287	45,000	634,982	45,695
Total disbursements	8,763,570	8,063,459	9,378,504	614,934
Excess (deficiency) of receipts over (under) disbursements	(209,541)	144,111	(1,112,236)	902,695
Other financing sources, net	418,617	-	463,097	(44,480)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	209,076	144,111	(649,139)	858,215
Balance beginning of year	2,692,488	1,632,927	1,632,927	1,059,561
Balance end of year	\$ 2,901,564	\$ 1,777,038	\$ 983,788	\$ 1,917,776

See accompanying independent auditor's report.

CLARKE COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation  
Required Supplementary Information  
Year Ended June 30, 2012

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 8,554,029	\$ 58,807	\$ 8,612,836
Expenditures	8,763,570	318,126	9,081,696
Net	(209,541)	(259,319)	(468,860)
Other financing sources, net	418,617	7,175	425,792
Beginning fund balances	2,692,488	123,994	2,816,482
Ending fund balances	<u>\$ 2,901,564</u>	<u>\$ (128,150)</u>	<u>\$ 2,773,414</u>

See accompanying independent auditor's report.

CLARKE COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except blended component units, internal service funds, and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,315,045. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, and for Emergency Management Services by the County Environmental Services Board.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted in any County function and disbursements did not exceed the amounts appropriated.

CLARKE COUNTY

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2012

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2010	July 1, 2009	\$ -	\$ 299	\$ 299	0.0%	\$ 2,483	12.0%
2011	July 1, 2009	-	299	299	0.0%	2,396	12.5%
2012	July 1, 2009	-	299	299	0.0%	2,693	11.1%

See note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.

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## Supplementary Information

CLARKE COUNTY  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2012

	Special Revenue			
	County Recorder's Records Management	REAP	County Attorney Forfeiture	Drug Forfeiture
<b>Assets</b>				
Cash and pooled investments	\$ 3,922	\$ 132,293	\$ 3,297	\$ 7,709
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	154	-	-	-
Accrued interest	-	45	-	-
<b>Total assets</b>	<b>\$ 4,076</b>	<b>\$ 132,338</b>	<b>\$ 3,297</b>	<b>\$ 7,709</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Deferred revenue:				
Succeeding year property tax	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances:</b>				
Restricted for:				
Debt service	-	-	-	-
Capital projects	-	-	-	-
Conservation purposes	-	132,338	-	-
Other purposes	4,076	-	3,297	7,709
<b>Total fund balances</b>	<b>4,076</b>	<b>132,338</b>	<b>3,297</b>	<b>7,709</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,076</b>	<b>\$ 132,338</b>	<b>\$ 3,297</b>	<b>\$ 7,709</b>

See accompanying independent auditor's report.

Debt Service				
Drug Dog	Debt Service	Child Care Center Reserve	Capital Projects	Total
\$ 256	\$ 12,555	\$ 24,539	\$ 7,197	\$ 191,768
-	323	-	-	323
-	330,000	-	-	330,000
-	-	-	-	154
-	-	-	4	49
<u>\$ 256</u>	<u>\$ 342,878</u>	<u>\$ 24,539</u>	<u>\$ 7,201</u>	<u>\$ 522,294</u>
\$ -	\$ 330,000	\$ -	\$ -	\$ 330,000
-	323	-	-	323
-	330,323	-	-	330,323
-	12,555	24,539	-	37,094
-	-	-	7,201	7,201
-	-	-	-	132,338
256	-	-	-	15,338
<u>256</u>	<u>12,555</u>	<u>24,539</u>	<u>7,201</u>	<u>191,971</u>
<u>\$ 256</u>	<u>\$ 342,878</u>	<u>\$ 24,539</u>	<u>\$ 7,201</u>	<u>\$ 522,294</u>

CLARKE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	Special Revenue			
	County Recorder's Records Management	REAP	County Attorney Forfeiture	Drug Forfeiture
Revenues:				
Property and other County tax	\$ -	\$ -	\$ -	-
Intergovernmental	-	9,686	-	6,511
Charges for service	1,908	-	-	-
Use of money and property	2	542	-	-
Miscellaneous	-	-	1,215	-
Total revenues	1,910	10,228	1,215	6,511
Expenditures:				
Operating:				
Public safety and legal services	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	1,910	10,228	1,215	6,511
Other financing sources (uses):				
General obligation capital loan notes issued	-	-	-	-
Premium on notes issued	-	-	-	-
Interfund transfers in	-	-	-	-
Interfund transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	1,910	10,228	1,215	6,511
Fund balances beginning of year	2,166	122,110	2,082	1,198
Fund balances end of year	\$ 4,076	\$ 132,338	\$ 3,297	\$ 7,709

See accompanying independent auditor's report.

Debt Service				
Drug Dog	Debt Service	Child Care Center Reserve	Capital Projects	Total
\$ -	\$ 280,174	\$ -	\$ -	\$ 280,174
-	30,910	-	-	47,107
-	-	-	-	1,908
-	198	-	701	1,443
-	-	-	-	1,215
-	311,282	-	701	331,847
538	-	-	-	538
-	347,107	-	7,175	354,282
-	-	-	574,243	574,243
538	347,107	-	581,418	929,063
(538)	(35,825)	-	(580,717)	(597,216)
-	-	-	410,000	410,000
-	-	-	3,292	3,292
-	4,927	-	412	5,339
-	(412)	-	(4,927)	(5,339)
-	4,515	-	408,777	413,292
(538)	(31,310)	-	(171,940)	(183,924)
794	43,865	24,539	179,141	375,895
\$ 256	\$ 12,555	\$ 24,539	\$ 7,201	\$ 191,971

CLARKE COUNTY  
 COMBINING SCHEDULE OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 June 30, 2012

	<u>Flexible Spending</u>	<u>Health Insurance</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 9,137	\$ 92,352	\$ 101,489
Accounts receivable	<u>1,061</u>	<u>35,273</u>	<u>36,334</u>
Total assets	<u>10,198</u>	<u>127,625</u>	<u>137,823</u>
<b>Liabilities</b>			
Accounts payable	<u>-</u>	<u>86,917</u>	<u>86,917</u>
<b>Net Assets</b>			
Unrestricted	<u>\$ 10,198</u>	<u>\$ 40,708</u>	<u>\$ 50,906</u>

See accompanying independent auditor's report.

## CLARKE COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
INTERNAL SERVICE FUNDS  
June 30, 2012

	<u>Flexible Spending</u>	<u>Health Insurance</u>	<u>Total</u>
Operating revenues:			
Charges to operating funds	\$ -	\$ 738,486	\$ 738,486
Charges to employees and others	19,757	165,657	185,414
Total operating revenues	<u>19,757</u>	<u>904,143</u>	<u>923,900</u>
Operating expenses:			
Insurance premiums	-	921,288	921,288
Flexible spending claims	18,046	-	18,046
Administrative fees	1,426	-	1,426
Total operating expenses	<u>19,472</u>	<u>921,288</u>	<u>940,760</u>
Operating income (loss)	285	(17,145)	(16,860)
Net assets beginning of year	<u>9,913</u>	<u>57,853</u>	<u>67,766</u>
Net assets end of year	<u>\$ 10,198</u>	<u>\$ 40,708</u>	<u>\$ 50,906</u>

See accompanying independent auditor's report.

CLARKE COUNTY  
 COMBINING SCHEDULE OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 Year Ended June 30, 2012

	Flexible Spending	Health Insurance	Total
Cash flows from operating activities:			
Cash received from operating fund reimbursements	\$ -	\$ 735,970	\$ 735,970
Cash received from employees and others	19,567	165,657	185,224
Cash payments to suppliers for services	(19,472)	(903,171)	(922,643)
Net cash provided by (used by) operating activities	95	(1,544)	(1,449)
Cash and cash equivalents beginning of year	9,042	93,896	102,938
Cash and cash equivalents end of year	\$ 9,137	\$ 92,352	\$ 101,489
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ 285	\$ (17,145)	\$ (16,860)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
(Increase) in accounts receivable	(190)	(2,516)	(2,706)
Increase in accounts payable	-	18,117	18,117
Net cash provided by (used by) operating activities	\$ 95	\$ (1,544)	\$ (1,449)

See accompanying independent auditor's report.



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CLARKE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 June 30, 2012

	County Offices		Agricultural	County
	County	County	Extension	Assessor
	Recorder	Sheriff	Education	
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ 1,683	\$ 146,278
Other County officials	8,629	8,700	-	-
Receivables:				
Property tax:				
Delinquent	-	-	123	298
Succeeding year	-	-	102,000	230,000
Accounts	-	-	-	-
Due from other governments	-	-	-	-
Prepaid expenses	-	-	-	11,925
Total assets	<u>\$ 8,629</u>	<u>\$ 8,700</u>	<u>\$ 103,806</u>	<u>\$ 388,501</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 4,479	\$ 4,006	\$ -	\$ 119
Salaries and benefits payable	-	-	-	5,345
Due to other governments	4,150	-	103,806	375,780
Trusts payable	-	4,694	-	-
Compensated absences	-	-	-	7,257
Total liabilities	<u>\$ 8,629</u>	<u>\$ 8,700</u>	<u>\$ 103,806</u>	<u>\$ 388,501</u>

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City and Water Special Assessments</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ 87,096	\$ 4,426	\$ 53,004	\$ 2,370	\$ 1,808	\$ 16,499	\$ 18
-	-	-	-	-	-	-
6,173	325	5,321	77	-	1,202	1
5,188,000	267,000	3,070,000	142,000	-	923,000	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 5,281,269</u>	<u>\$ 271,751</u>	<u>\$ 3,128,325</u>	<u>\$ 144,447</u>	<u>\$ 1,808</u>	<u>\$ 940,701</u>	<u>\$ 1,019</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
5,281,269	271,751	3,128,325	144,447	1,808	940,701	1,019
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 5,281,269</u>	<u>\$ 271,751</u>	<u>\$ 3,128,325</u>	<u>\$ 144,447</u>	<u>\$ 1,808</u>	<u>\$ 940,701</u>	<u>\$ 1,019</u>

CLARKE COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2012

	Auto License and Use Tax	Advance Tax	Tax Sale Redemption	Emergency Management
<b>ASSETS</b>				
Cash and pooled investments:				
County Treasurer	\$ 175,690	\$ 104,869	\$ 32,991	\$ 19,507
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	-
Due from other governments	-	-	-	555
Prepaid expenses	-	-	-	1,973
	<hr/>			
Total assets	<u>\$ 175,690</u>	<u>\$ 104,869</u>	<u>\$ 32,991</u>	<u>\$ 22,035</u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	14
Salaries and benefits payable	-	-	-	1,287
Due to other governments	175,690	-	-	19,926
Trusts payable	-	104,869	32,991	-
Compensated absences	-	-	-	808
	<hr/>			
Total liabilities	<u>\$ 175,690</u>	<u>\$ 104,869</u>	<u>\$ 32,991</u>	<u>\$ 22,035</u>

See accompanying independent auditor's report.

County Recorder's Electronic Transaction Fee	Homemakers Health Payroll	Total
\$ 126	\$ (53,847)	\$ 592,518
-	-	17,329
-	-	13,520
-	-	9,923,000
154	-	154
-	53,847	54,402
-	-	13,898
<u>\$ 280</u>	<u>\$ -</u>	<u>\$ 10,614,821</u>
\$ -	\$ -	\$ 8,618
-	-	6,632
280	-	10,448,952
-	-	142,554
-	-	8,065
<u>\$ 280</u>	<u>\$ -</u>	<u>\$ 10,614,821</u>

CLARKE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

Year Ended June 30, 2012

	County Offices		Agricultural	County
	County	County	Extension	Assessor
	Recorder	Sheriff	Education	
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 7,973	\$ 12,913	\$ 102,572	\$ 374,361
Additions:				
Property and other County tax	-	-	101,075	228,115
State tax credits	-	-	3,539	8,612
Office fees and collections	145,305	163,313	-	2,245
Auto license, use tax, drivers license and postage	-	-	-	-
Trusts	-	183,921	-	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total additions	145,305	347,234	104,614	238,972
Deductions:				
Agency remittances:				
To other funds	67,576	164,063	-	-
To other governments	77,073	3,276	103,380	224,832
Trusts paid out	-	184,108	-	-
Total deductions	144,649	351,447	103,380	224,832
Balances end of year	\$ 8,629	\$ 8,700	\$ 103,806	\$ 388,501

<u>Schools</u>	<u>Area Schools</u>	<u>Corporations</u>	<u>Townships</u>	<u>City and Water Special Assessments</u>	<u>County Hospital</u>	<u>Brucellosis and Tuberculosis Eradication</u>
\$ <u>5,295,928</u>	\$ <u>268,045</u>	\$ <u>3,387,873</u>	\$ <u>143,255</u>	\$ <u>2,349</u>	\$ <u>1,008,291</u>	\$ <u>1,029</u>
5,148,663	265,470	2,973,591	142,155	-	914,065	1,056
182,904	9,282	70,950	5,638	-	34,701	38
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	9,386	-	-
-	-	-	-	-	-	-
<u>5,331,567</u>	<u>274,752</u>	<u>3,044,541</u>	<u>147,793</u>	<u>9,386</u>	<u>948,766</u>	<u>1,094</u>
-	-	-	-	-	-	-
5,346,226	271,046	3,304,089	146,601	9,927	1,016,356	1,104
-	-	-	-	-	-	-
<u>5,346,226</u>	<u>271,046</u>	<u>3,304,089</u>	<u>146,601</u>	<u>9,927</u>	<u>1,016,356</u>	<u>1,104</u>
\$ <u><u>5,281,269</u></u>	\$ <u><u>271,751</u></u>	\$ <u><u>3,128,325</u></u>	\$ <u><u>144,447</u></u>	\$ <u><u>1,808</u></u>	\$ <u><u>940,701</u></u>	\$ <u><u>1,019</u></u>

CLARKE COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS

Year Ended June 30, 2012

	Auto License and Use Tax	Advance Tax	Tax Sale Redemption	Emergency Management
<b>ASSETS AND LIABILITIES</b>				
Balances beginning of year	\$ 168,798	\$ 107,615	\$ 17,168	\$ 12,220
Additions:				
Property and other County tax	-	-	-	-
State tax credits	-	-	-	-
Office fees and collections	-	-	-	-
Auto license, use tax, drivers license and postage	2,212,019	-	-	-
Trusts	-	134,772	188,632	-
Assessments	-	-	-	-
Miscellaneous	-	-	-	65,375
Total additions	2,212,019	134,772	188,632	65,375
Deductions:				
Agency remittances:				
To other funds	87,096	-	-	-
To other governments	2,118,031	-	-	55,560
Trusts paid out	-	137,518	172,809	-
Total deductions	2,205,127	137,518	172,809	55,560
Balances end of year	\$ 175,690	\$ 104,869	\$ 32,991	\$ 22,035

See accompanying independent auditor's report.



County Recorder's Electronic Transaction Fee	Total
\$ 933	\$ 10,911,323
-	9,774,190
-	315,664
1,908	312,771
-	2,212,019
-	507,325
-	9,386
-	65,375
1,908	13,196,730
-	318,735
2,561	12,680,062
-	494,435
2,561	13,493,232
\$ 280	\$ 10,614,821

CLARKE COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST EIGHT YEARS

	Modified Accrual Basis			
	2012	2011	2010	2009
Revenues:				
Property and other County tax	\$ 4,367,553	\$ 4,043,156	\$ 3,764,427	\$ 3,459,732
Interest and penalty on property tax	48,041	50,237	56,151	48,568
Intergovernmental	3,261,308	3,469,211	3,299,875	4,379,483
Licenses and permits	9,665	8,125	10,160	10,980
Charges for service	318,606	273,915	312,757	267,554
Use of money and property	35,505	40,524	41,009	69,711
Miscellaneous	572,158	543,635	440,911	274,302
Total	<u>\$ 8,612,836</u>	<u>\$ 8,428,803</u>	<u>\$ 7,925,290</u>	<u>\$ 8,510,330</u>
Expenditures:				
Operating:				
Public safety and legal services	\$ 1,533,021	\$ 1,496,550	\$ 1,741,935	\$ 1,557,140
Physical health and social services	959,190	987,117	1,055,582	1,006,047
Mental health	1,269,129	1,057,201	938,643	1,021,859
County environment and education	263,238	226,106	255,954	276,902
Roads and transportation	2,844,674	2,544,789	2,482,289	3,480,704
Government services to residents	381,017	379,080	360,455	350,826
Administration	887,858	850,472	815,736	756,184
Debt service	354,282	208,579	272,849	836,251
Capital projects	589,287	792,253	63,952	908,928
Total	<u>\$ 9,081,696</u>	<u>\$ 8,542,147</u>	<u>\$ 7,987,395</u>	<u>\$ 10,194,841</u>

See accompanying independent auditor's report.

	2008	2007	2006	2005
\$	3,560,557	\$ 4,197,991	\$ 3,728,172	\$ 3,843,161
	40,112	36,111	37,986	45,088
	3,798,207	3,345,660	3,031,600	3,133,909
	10,650	9,235	8,890	11,835
	260,905	262,821	268,264	229,834
	143,553	285,982	192,814	115,778
	369,071	254,497	323,628	307,346
\$	<u>8,183,055</u>	<u>8,392,297</u>	<u>7,591,354</u>	<u>7,686,951</u>
\$	1,440,885	\$ 1,457,547	\$ 1,369,187	\$ 1,308,070
	1,005,010	919,485	897,918	847,740
	1,140,658	1,032,628	1,021,097	891,323
	261,894	250,582	248,329	230,743
	2,967,938	2,224,277	2,149,188	2,452,539
	334,031	304,375	388,646	312,804
	762,990	697,713	729,359	671,734
	3,004,237	528,691	543,682	688,377
	938,234	383,320	123,988	744,897
\$	<u>11,855,877</u>	<u>7,798,618</u>	<u>7,471,394</u>	<u>8,148,227</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officials of Clarke County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clarke County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 18, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Clarke County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Clarke County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Clarke County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Clarke County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-C-12 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-B-12 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarke County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a material instance of non-compliance described as item I-A-12 in the accompanying Schedule of Findings and certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Clarke County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Clarke County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the County's responses, we did not audit Clarke County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarke County and other parties to whom Clarke County may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clarke County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
March 18, 2013

CLARKE COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2012

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

- I-A-12 Financial Conditions – The Special Revenue, Mental Health Fund had a deficit fund balance of \$199,499 at June 30, 2012.

Recommendation – The County should investigate ways to return the fund to a sound financial condition.

Response – We will investigate options to return the Mental Health Fund to a sound financial condition. However, this may take some time due to state funding changes.

Conclusion – Response accepted.

INTERNAL CONTROL DEFICIENCIES:

- I-B-12 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, Recorder, Sheriff
(2) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks or handle or record cash.	Ag Extension, Recorder, Sheriff
(3) Checks should be signed by an individual who does not otherwise participate in the preparation of the checks. Prior to signing, the checks and the supporting documentation should be reviewed for propriety.	Recorder
(4) After signing, the checks should be mailed without allowing them to return to individuals who prepare the checks or approve vouchers for payment.	Auditor, Ag Extension, Sheriff

CLARKE COUNTY  
SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part I: Findings Related to the Basic Financial Statements:

INTERNAL CONTROL DEFICIENCIES (continued):

I-B-12 Segregation of Duties (continued)

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Auditor – The Auditor is currently evaluating the disbursement transactions and documenting each review on the applicable disbursement records. Two individuals in most instances are now jointly involved in the check preparation, signing, and mailing process.

County Recorder – We have established a set of checks and balances to review each individual's work in the office, which gives us the maximum internal control possible using the limited number of office employees we have.

County Sheriff – We will review procedures and try to make any necessary changes to improve internal control.

Conclusion – Responses accepted.

I-C-12 Financial Reporting – During the audit, we identified material amounts of capital asset additions and disposals not recorded in the County's financial statements. Adjustments were subsequently made by the County to properly include these amounts in the financial statements.

Recommendation – The County should implement procedures to ensure all capital asset additions and disposals are identified and properly recorded in the County's financial statements.

Response – We will review our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion – Response accepted.

CLARKE COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted in any County function and did not exceed the amounts appropriated.
- II-B-12 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.
- II-C-12 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-D-12 Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-E-12 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.
- II-F-12 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-G-12 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-H-12 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-I-12 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.
- Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.
- II-J-12 Debt Service Payments – We noted that the payments of principal and interest for the County’s capital lease purchase agreements were made through the roads and transportation function rather than the debt service function.

Recommendation – All payments on long-term debt such as capital lease purchase agreements should be budgeted and paid through the debt service function of the County to more properly reflect the true functional expenditures totals.

Response – We will properly make all debt service payments through the debt service function in the future.

Conclusion – Response accepted.



CLARKE COUNTY  
SCHEDULE OF FINDINGS  
Year Ended June 30, 2012

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-K-12    Homemakers Health Payroll – The County previously had entered into an agreement with the Clarke County Home Care Aide Service, Inc. (Home Care) to provide payroll services. Home Care was to reimburse the County for payroll expenses, which were recorded in an Agency Fund of the County. At June 30, 2012, Home Care owed the County \$53,847 for payroll expenses. Home Care closed and merged into the County's Public Health department in March 2010.

Recommendation – The County should develop a plan to eliminate the deficit in this fund.

Response – We have approved a ten year repayment plan to eliminate the deficit from this fund.

Conclusion – Response accepted.